

BENTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2011

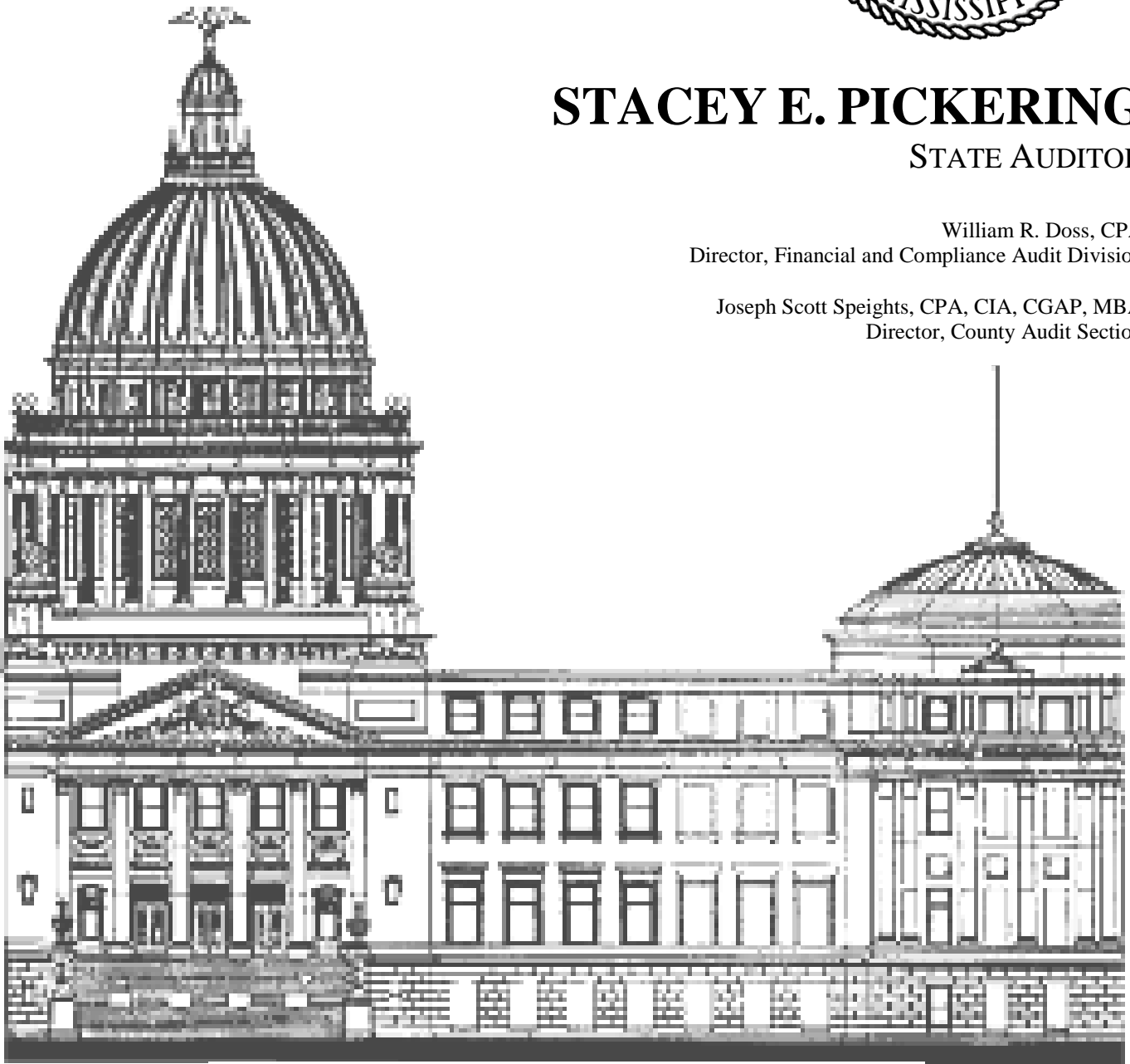


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

March 4, 2013

Members of the Board of Supervisors
Benton County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Benton County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Benton County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Benton County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering
State Auditor

BENTON COUNTY
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BENTON COUNTY

FINANCIAL SECTION

BENTON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Benton County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Benton County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

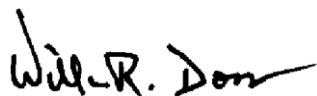
As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2013, on our consideration of Benton County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Benton County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 4, 2013

BENTON COUNTY

FINANCIAL STATEMENTS

BENTON COUNTY

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BENTON COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 2,794,112
Property tax receivable	2,053,973
Accounts receivable (net of allowance for uncollectibles of \$343,455)	18,076
Fines receivable (net of allowance for uncollectibles of \$284,372)	74,802
Capital lease receivable	530,582
Intergovernmental receivables	208,024
Other receivables	12,740
Capital assets:	
Land and construction in progress	1,148,918
Other capital assets, net	<u>8,558,183</u>
Total Assets	<u>15,399,410</u>
LIABILITIES	
Claims payable	434,316
Intergovernmental payables	63,425
Deferred revenue	2,107,617
Amounts held in custody for others	1,215
Long-term liabilities	
Due within one year:	
Capital debt	115,240
Non-capital debt	60,700
Due in more than one year:	
Capital debt	342,391
Non-capital debt	<u>415,553</u>
Total Liabilities	<u>3,540,457</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,249,470
Restricted:	
Expendable:	
General government	82,970
Public safety	194,673
Public works	573,871
Other	685
Unrestricted	<u>1,757,284</u>
Total Net Assets	<u>\$ 11,858,953</u>

The notes to the financial statements are an integral part of this statement.

BENTON COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,903,551	197,713	14,533		(1,691,305)
Public safety	1,214,309	102,711	6,000		(1,105,598)
Public works	1,760,673	321	1,062,913	1,068,718	371,279
Health and welfare	80,529		137,269		56,740
Culture and recreation	159,940		23,187	17,818	(118,935)
Education	190,545				(190,545)
Conservation of natural resources	152,766		37,813		(114,953)
Economic development and assistance	22,298			57,533	35,235
Interest on long-term debt	25,531				(25,531)
Total Governmental Activities	<u>5,510,142</u>	<u>300,745</u>	<u>1,281,715</u>	<u>1,144,069</u>	<u>(2,783,613)</u>
General revenues:					
Property taxes				\$	2,049,863
Road & bridge privilege taxes					101,946
Lieu tax - Magnolia Energy					824,451
Grants and contributions not restricted to specific programs					192,044
Unrestricted interest income					26,328
Miscellaneous					71,795
Total General Revenues					<u>3,266,427</u>
Changes in Net Assets					<u>482,814</u>
Net Assets - Beginning as previously reported					11,750,990
Prior period adjustments					<u>(374,851)</u>
Net Assets - Beginning as restated					<u>11,376,139</u>
Net Assets - Ending				\$	<u>11,858,953</u>

The notes to the financial statements are an integral part of this statement.

BENTON COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Road and Bridge Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,918,368	553,644	322,100	2,794,112
Property tax receivable	1,558,849	260,239	234,885	2,053,973
Accounts receivable (net of allowance for uncollectibles of \$343,455)			18,076	18,076
Fines receivable (net of allowance for uncollectibles of \$284,372)	74,802			74,802
Capital lease receivable	530,582			530,582
Intergovernmental receivables	64,436	116,146	27,442	208,024
Other receivables	7,048		5,692	12,740
Due from other funds		12,748	4,166	16,914
Total Assets	<u>\$ 4,154,085</u>	<u>942,777</u>	<u>612,361</u>	<u>5,709,223</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 225,816	152,898	55,602	434,316
Intergovernmental payables	63,425			63,425
Due to other funds	16,914			16,914
Deferred revenue	2,164,233	260,239	252,961	2,677,433
Amounts held in custody for others	1,215			1,215
Total Liabilities	<u>2,471,603</u>	<u>413,137</u>	<u>308,563</u>	<u>3,193,303</u>
Fund balances:				
Restricted for:				
General government			82,970	82,970
Public safety			194,673	194,673
Public works		529,640	26,155	555,795
Unassigned	1,682,482			1,682,482
Total Fund Balances	<u>1,682,482</u>	<u>529,640</u>	<u>303,798</u>	<u>2,515,920</u>
Total Liabilities and Fund Balances	<u>\$ 4,154,085</u>	<u>942,777</u>	<u>612,361</u>	<u>5,709,223</u>

The notes to the financial statements are an integral part of this statement.

BENTON COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,515,920
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$5,203,537	9,707,101
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	92,878
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(933,884)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>476,938</u>
Total Net Assets - Governmental Activities	\$ <u><u>11,858,953</u></u>

The notes to the financial statements are an integral part of this statement.

BENTON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	Major Funds		Other	Total
	General	Road and Bridge	Governmental	Governmental
	Fund	Maintenance	Funds	Funds
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 1,557,361	258,087	234,415	2,049,863
Road and bridge privilege taxes		101,946		101,946
Lieu tax - Magnolia Energy	629,436	98,515	96,500	824,451
Licenses, commissions and other revenue	113,221		2,150	115,371
Fines and forfeitures	99,149		12,607	111,756
Intergovernmental revenues	478,614	1,872,330	266,884	2,617,828
Charges for services	4,920		66,029	70,949
Interest income	18,641	3,092	4,595	26,328
Miscellaneous revenues	58,635	10,901	400	69,936
Total Revenues	2,959,977	2,344,871	683,580	5,988,428
EXPENDITURES				
Current:				
General government	1,765,781		91,833	1,857,614
Public safety	906,231		351,716	1,257,947
Public works	17	2,265,013	296,827	2,561,857
Health and welfare	68,647			68,647
Culture and recreation	101,704		85,274	186,978
Education	190,545			190,545
Conservation of natural resources	43,848		108,918	152,766
Economic development and assistance	7,000		4,255	11,255
Debt service:				
Principal	64,098	76,862		140,960
Interest	17,560	6,571	1,400	25,531
Total Expenditures	3,165,431	2,348,446	940,223	6,454,100
Excess of Revenues over (under) Expenditures	(205,454)	(3,575)	(256,643)	(465,672)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	150,000		140,000	290,000
Proceeds from sale of capital assets	260	10,605		10,865
Transfers in	7,331		50,000	57,331
Transfers out	(50,000)		(7,331)	(57,331)
Lease principal payments	58,775			58,775
Total Other Financing Sources and Uses	166,366	10,605	182,669	359,640
Net Changes in Fund Balances	(39,088)	7,030	(73,974)	(106,032)
Fund Balances - Beginning as previously reported	2,257,283	550,984	377,772	3,186,039
Prior Period Adjustment	(535,713)	(28,374)		(564,087)
Fund Balances - Beginning as restated	1,721,570	522,610	377,772	2,621,952
Fund Balances - Ending	\$ 1,682,482	529,640	303,798	2,515,920

The notes to the financial statements are an integral part of this statement.

BENTON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (106,032)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,323,462 exceeded depreciation of \$516,671 in the current period.	806,791
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$1,934 and the proceeds from the sale of \$10,865. in the current period.	(12,799)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	2,695
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(26)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$290,000 exceeded debt repayments of \$140,960.	(149,040)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balance by the principal collections on the capital lease.	<u>(58,775)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>482,814</u></u>

The notes to the financial statements are an integral part of this statement.

BENTON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 18,398
Total Assets	\$ 18,398
LIABILITIES	
Intergovernmental payables	\$ 18,398
Total Liabilities	\$ 18,398

The notes to the financial statements are an integral part of this statement.

BENTON COUNTY

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BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Benton County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Benton County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component unit which has significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Benton County Library System

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Road and Bridge Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road and bridge maintenance.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPE

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation, is not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Benton County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To correct error in capital assets, net	\$ (346,477)
To correct error in intergovernmental receivables	(28,374)
Total prior period adjustments	\$ (374,851)

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances.

Explanation	Amount
To correct error in intergovernmental receivables	\$ (28,374)
To correct error in loans receivable	(535,713)
Total prior period adjustment	\$ (564,087)

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$2,812,510 and the bank balance was \$2,984,861. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Road and Bridge Maintenance Fund	General	\$ 12,748
Other Governmental Funds	General	4,166
Total		\$ 16,914

The receivables represent the tax and court revenue collected but not settled until October, 2011. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 7,331
Other Governmental Funds	General Fund	50,000
Total		\$ 57,331

The purpose of interfund transfers was to cover operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 26,603
Welfare reimbursement	1,569
Reimbursement for staff – youth court	563
Privilege tax	4,671
TVA in lieu tax	29,810
Reimbursement for housing prisoners	1,220
Reimbursement for disaster grants	116,146
Reimbursement for district 2 park grant	27,442
Total Governmental Activities	\$ 208,024

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 55,430				55,430
Construction in progress		1,093,488			1,093,488
Total non-depreciable capital assets	55,430	1,093,488	0	0	1,148,918
<u>Depreciable capital assets:</u>					
Infrastructure	6,939,552			234,175	7,173,727
Buildings	3,043,255			(631,148)	2,412,107
Improvements other than buildings	360,221	45,125			405,346
Mobile equipment	2,933,175	81,720	95,591	35,010	2,954,314
Furniture and equipment	333,219	103,129			436,348
Leased property under capital leases	364,392			(35,010)	329,382
Total depreciable capital assets	13,973,814	229,974	95,591	(396,973)	13,711,224
<u>Less accumulated depreciation</u>					
Infrastructure	1,519,662	187,226			1,706,888
Buildings	788,153	56,615		(50,496)	794,272
Improvements other than buildings	90,155	13,074			103,229
Mobile equipment	2,013,807	179,437	82,792	12,604	2,123,056
Furniture and equipment	285,142	38,371			323,513
Leased property under capital leases	72,739	41,948		(12,604)	102,083
Total accumulated Depreciation	4,769,658	516,671	82,792	(50,496)	5,153,041
Total depreciable capital assets, net	9,204,156	(286,697)	12,799	(346,477)	8,558,183
Governmental activities capital assets, net	\$ 9,259,586	806,791	12,799	(346,477)	9,707,101

*Adjustments are to reclassify paid off leased purchases and to correct prior year errors.

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 42,144
Public safety	111,436
Public works	322,079
Health and welfare	11,882
Culture and recreation	18,087
Economic development and assistance	11,043
	<hr/>
Total governmental activities depreciation expense	\$ 516,671

Commitments with respect to unfinished capital projects at September 30, 2011, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
BR-1910(9)B	\$ 196,797	March 2012
EFLH-0005(19)BO	330,335	March 2012
EFLH-0005(20)BO	368,780	August 2012

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2011:

Class of Property	Amount
Buildings	\$ 631,148

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2011, are as follows:

Year Ended September 30	Principal	Interest
2012	\$ 60,700	13,343
2013	62,405	11,638
2014	64,303	9,840
2015	66,259	7,784
2016	68,274	5,769
2017 – 2021	70,351	3,692
2022 – 2026	72,490	1,552
2027 – 2031	12,156	26
Total	\$ 476,938	53,644

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

Class of Property	Governmental Activities
Mobile equipment	\$ 329,382
Less: Accumulated depreciation	(102,083)
Leased Property Under Capital Leases	\$ 227,299

The following is a schedule by years of the total payments due as of September 30, 2011:

Year Ending September 30	Governmental Activities Principal	Interest
2012	\$ 74,773	4,241
2013	73,840	1,838
2014	19,018	170
Total	\$ 167,631	6,249

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(10) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Capital Leases:			
2008 Mack tractor truck	\$ 35,604	3.15%	07-2013
Caterpillar excavator	49,158	3.15%	11-2013
John Deere tractor and Alamo machete	60,983	3.20%	04-2014
John Deere tractor and sprayer	21,886	3.20%	10-2013
Total Capital Leases	\$ 167,631		
B. Other Loans:			
Capital improvements loan – factory	\$ 476,253	3.00%	12-2018
E911 equipment loan	140,000	2.00%	12-2015
Barefoot Carriers loan	150,000	2.00%	09-2021
Total Other Loans	\$ 766,253		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2012	\$ 101,167	19,141
2013	103,807	16,501
2014	106,535	13,873
2015	138,588	10,969
2016	83,100	7,505
2017 – 2021	233,056	10,182
Total	\$ 766,253	78,171

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was less than 1% of the latest property assessments.

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments	Balance Sept. 30, 2011	Amount due within one year
Governmental Activities:						
Capital leases	\$ 244,493		76,862		167,631	74,773
Other loans	540,351	290,000	64,098		766,253	101,167
Total	\$ 784,844	290,000	140,960	0	933,884	175,940

(11) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

The Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Chickasaw, Itawamba, Lee, Monroe, Pontotoc and Union. The Benton County Board of Supervisors appoints one of the seven members of the board of commissioners. The county did not appropriate any funds for the maintenance and support of the commission in fiscal year 2011.

The Northeast Mississippi Planning and Development District operates in a district composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Benton County Board of Supervisors appoints four of the 24 members of the board of directors. The county appropriated \$7,000 for the maintenance and support of the district in fiscal year 2011.

Northwest Mississippi Community College operates in a district composed of Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Benton County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$90,299 for the maintenance and support of the college in fiscal year 2011.

The Northeast Mississippi Regional Solid Waste Authority provides solid waste services to the Counties of Benton, Prentiss and Tippah along with the Cities of Ashland, Booneville and Ripley. Currently, Benton County does not receive any direct services from the authority, but rather contracts with a private firm for the collection of solid waste. The authority prepared a five-year solid waste plan for the county. Each member of the authority appoints one member of the six-member commission. The county did not appropriate any funds to the authority in the fiscal year 2011.

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

United Community Action Commission, Inc., was created as a nonprofit organization pursuant to federal community action legislation in the mid-1960's. The commission is governed by a 21 member board, seven of whom are appointed by the Benton County Board of Supervisors. Most of the commission's operating revenue come from federal sources. The county appropriated \$27,000 to the commission in fiscal year 2011.

(13) Defined Benefit Pension Plan.

Plan Description. Benton County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$169,162, \$168,500 and \$161,605, respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Benton County evaluated the activity of the county through March 4, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2011, the county issued the following debt obligations:

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
07/24/2012	2.19%	\$	29,253	Capital lease	Ad valorem taxes
07/24/2012	2.18%		183,487	Capital lease	Ad valorem taxes
07/24/2012	2.19%		37,975	Capital lease	Ad valorem taxes
07/24/2012	2.19%		37,975	Capital lease	Ad valorem taxes
11/19/2012	3.25%		9,095	Capital lease	Ad valorem taxes
			<u>297,785</u>		

BENTON COUNTY

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BENTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

BENTON COUNTY

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BENTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,578,280	1,524,781	1,562,213	37,432
Licenses, commissions and other revenue	120,789	117,274	117,274	
Fines and forfeitures	170,469	98,990	98,990	
Intergovernmental revenues	1,717,478	1,740,883	1,751,466	10,583
Interest income	27,410	15,533	16,919	1,386
Miscellaneous revenues	9,614	26,085	26,085	
Total Revenues	<u>3,624,040</u>	<u>3,523,546</u>	<u>3,572,947</u>	<u>49,401</u>
EXPENDITURES				
Current:				
General government	3,104,859	2,699,914	2,699,931	(17)
Public safety	917,779	815,221	815,221	
Health and welfare	95,902	65,777	65,777	
Culture and recreation	95,880	94,906	94,906	
Conservation of natural resources	49,249	42,051	42,051	
Economic development and assistance	7,000	7,000	7,000	
Total Expenditures	<u>4,270,669</u>	<u>3,724,869</u>	<u>3,724,886</u>	<u>(17)</u>
Excess of Revenues over (under) Expenditures	<u>(646,629)</u>	<u>(201,323)</u>	<u>(151,939)</u>	<u>49,384</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		1,192,390	238,270	(954,120)
Total Other Financing Sources and Uses	<u>0</u>	<u>1,192,390</u>	<u>238,270</u>	<u>(954,120)</u>
Net Change in Fund Balance	(646,629)	991,067	86,331	(904,736)
Fund Balances - Beginning	<u>894,516</u>	<u>1,578,560</u>	<u>1,645,544</u>	<u>66,984</u>
Fund Balances - Ending	<u>\$ 247,887</u>	<u>2,569,627</u>	<u>1,731,875</u>	<u>(837,752)</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

BENTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Road and Bridge Maintenance Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 187,706	258,492	258,492	
Road and bridge privilege taxes	95,855	101,135	101,135	
Intergovernmental revenues	818,865	1,003,967	1,003,967	
Interest income	4,000	3,092	3,092	
Miscellaneous revenues		2,419	2,419	
Total Revenues	<u>1,106,426</u>	<u>1,369,105</u>	<u>1,369,105</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>1,316,000</u>	<u>1,316,241</u>	<u>1,326,136</u>	<u>(9,895)</u>
Total Expenditures	<u>1,316,000</u>	<u>1,316,241</u>	<u>1,326,136</u>	<u>(9,895)</u>
Excess of Revenues over (under) Expenditures	<u>(209,574)</u>	<u>52,864</u>	<u>42,969</u>	<u>(9,895)</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		21,447	21,447	
Total Other Financing Sources and Uses	<u>0</u>	<u>21,447</u>	<u>21,447</u>	<u>0</u>
Net Change in Fund Balance	(209,574)	74,311	64,416	(9,895)
Fund Balances - Beginning	<u>163,185</u>	<u>508,681</u>	<u>489,227</u>	<u>(19,454)</u>
Fund Balances - Ending	<u>\$ (46,389)</u>	<u>582,992</u>	<u>553,643</u>	<u>(29,349)</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

BENTON COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Road and Bridge Maintenance Fund
Budget (Cash Basis)	\$ 86,331	64,416
Increase (Decrease)		
Net adjustments for revenue accruals	(143,710)	(35,339)
Net adjustments for expenditure accruals	18,291	(22,047)
GAAP Basis	<u>\$ (39,088)</u>	<u>7,030</u>

BENTON COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2011

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2011:

<u>Fund</u>		<u>Excess</u>
General Fund	\$	17
Road and Bridge Maintenance Fund		9,895

All the funds listed above, are in violation of Section 19-11-17, Miss. Code Ann. (1972). However, the county has no liability associated with these violations.

BENTON COUNTY

SUPPLEMENTAL INFORMATION

BENTON CONTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture Passed-through the State of Mississippi Treasury Department Schools and roads - grants to states*	10.665	N/A	\$ 356,604
U.S. Department of Housing and Urban Development Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii*	14.228	1125-08-005-ED-01	2,500
Community development block grants/state's program and non-entitlement grants in Hawaii*	14.228	1126-09-005-EM-01	98,833
Community development block grants/state's program and non-entitlement grants in Hawaii*	14.228	1126-09-005-SH-01	85,274
Total Community development block grants/state's program and non-entitlement grants in Hawaii			186,607
U.S. Department of Housing and Urban Development Passed-through the Mississippi Development Authority Home investment partnerships program	14.239	M10-SG-280-10991	5,000
Total U.S. Department of Housing and Urban Development			191,607
U. S. Department of Transportation Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	64,630
U. S. Department of Energy Passed-through the Mississippi Development Authority ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	GT11-00810-0014	6,755
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance (presidentially declared disasters)	97.036	FEMA-1972-DR-MS	119,389
Total Expenditures of Federal Awards			\$ 738,985

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal award program

BENTON COUNTY

SPECIAL REPORTS

BENTON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Benton County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated March 4, 2013. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Benton County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-1, 11-2, 11-3, 11-4, 11-5, 11-6, 11-7, 11-8 and 11-9 to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Benton County, Mississippi, in the Independent Auditor's Report on Central Purchasing, Inventory Control System and Purchase Clerk Schedules and in the Limited Internal Control and Compliance Review Management Report dated March 4, 2013, included within this document.

Benton County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Benton County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 4, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Benton County, Mississippi

Compliance

We have audited the compliance of Benton County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. Benton County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Benton County, Mississippi's management. Our responsibility is to express an opinion on Benton County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Benton County, Mississippi's compliance with those requirements.

As described in item 11-10 in the accompanying Schedule of Findings and Questioned Costs, Benton County, Mississippi, did not comply with compliance requirements regarding Procurement, Suspension, and Debarment that are applicable to its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii. Compliance with such requirements is necessary, in our opinion, for Benton County, Mississippi, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Benton County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

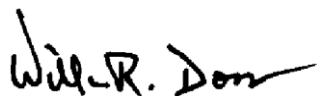
The management of Benton County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Benton County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 11-10 to be a material weakness.

Benton County's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Benton County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 4, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Benton County, Mississippi

We have examined Benton County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Benton County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Benton County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Purchase Clerk.

1. Purchasing documents should be prepared in proper sequence.

Finding

Section 31-7-103 and 31-7-109, Miss. Code Ann. (1972), require purchase requisitions, purchase orders, and receiving reports to accompany all claims for payments. During our testwork, we noted several transactions where the purchasing documents were not in a logical date sequence. The purchase orders were dated before the requisitions. Failure to follow the requirements of the central purchasing system could result in the loss of public funds.

Recommendation

The Purchase Clerk should ensure required purchase transaction documents are in proper sequential order.

Purchase Clerk's Response

We will comply.

2. Inventory control system should be properly maintained.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. This system should include recording all additions and deletions of capital assets and assigning every asset purchased by the county a property control number and marking this property control number on the asset as a means of identifying the asset as owned by the county. We noted the following deficiencies:

- a. Infrastructure in the amount of \$234,175 was omitted from the capital asset records. An adjustment to correct this error was proposed by the auditor and approved by management.
- b. A building recorded at \$580,652, net of accumulated depreciation, that had been leased to an industry under a capital lease was included in the capital asset records in error. An adjustment to correct this error was proposed by the auditor and approved by management.
- c. Several capital assets were not marked with property control numbers.

Failure to properly record all additions and deletions of capital assets and to mark these assets with a property control number could result in the loss of capital assets or the financial statements being misstated.

Recommendation

The Inventory Control Clerk should ensure that all additions and deletions of capital assets are recorded in the capital asset records. The Inventory Control Clerk should also ensure that all capital assets are marked with the assigned property control numbers.

Inventory Control Clerk's Response

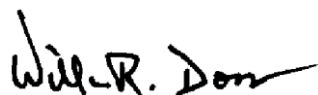
Each supervisor has been given a list of their inventory including asset numbers. After receiving the list, each supervisor verified that their inventory had been properly marked with a permanent marker. All inventory items at this time, has an inventory sticker or a permanent marking.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Benton County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Benton County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating the central purchasing system and inventory control system of Benton County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is written in a cursive, somewhat stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 4, 2013

BENTON COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

Our test results did not identify any purchases from other than the lowest bidder.

BENTON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

BENTON COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Schedule 3

Our test results did not identify any purchases made noncompetitively from a sole source.



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Benton County, Mississippi

In planning and performing our audit of the financial statements of Benton County, Mississippi for the year ended September 30, 2011, we considered Benton County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Benton County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 4, 2013, on the financial statements of Benton County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Actual expenditures should not exceed final budget amounts.

Finding

Section 19-11-17, Miss. Code Ann. (1972), prohibits the incurring of expenditures in excess of the final budget as approved by the Board of Supervisors. Actual expenditures exceeded budgeted amounts by \$9,895 in the Road and Bridge Maintenance Fund and \$17 in the General Fund. Failure to limit actual expenditures to budgeted amounts, could result in the county having insufficient funds to pay expenditures

Recommendation.

The Board of Supervisors should not make expenditures in excess of budgeted amounts.

Board of Supervisors' Response

We will comply.

Chancery Clerk.

2. Chancery Clerk's fee journal not properly maintained.

Finding

Section 9-1-43, Miss. Code Ann (1972), requires the Chancery Clerk to maintain a fee journal. The following discrepancies were noted:

- a. The Chancery Clerk did not reconcile the cash balance in the fee journal to the fee account bank balance.
- b. Receipts were posted to the fee journal improperly. Receipts were posted in rounded whole dollar amounts instead of actual amounts of receipts.

Failure to properly maintain the fee journal could result in the loss of public funds.

Recommendation

The Chancery Clerk should properly maintain a fee journal and reconcile the fee bank account to the cash balance in the fee journal.

Chancery Clerk's Response

The previous Chancery Clerk reconciled his bank statements to the checkbook. However, we are reconciling the fee journal to the bank statement and checkbook to comply with audit requirements.

Circuit Clerk.

3. Circuit Clerk was over paid for each session of grand jury.

Finding

Section 25-7-15(2), Miss. Code Ann. (1972), states that the Board of Supervisors of every county shall pay the Circuit Clerk the sum of Seven Hundred Dollars for each session of the grand jury for preparing the grand jury docket, subpoenas, calendar and related services. The Circuit Clerk was paid \$750 for each grand jury session for services rendered.

Recommendation

The Circuit Clerk should remit \$100 to the General Fund and in the future should only be paid the amount allowed by law for each session of the grand jury.

Circuit Clerk's Response

I have complied. Due to computer error.

Auditor's Note:

On November 27, 2012, the Circuit Clerk repaid \$100 to the General Fund as evidenced by receipt warrant number 13541.

4. Circuit Clerk Fee Journal not properly maintained.

Finding

Section 9-1-43, Miss. Code Ann (1972), requires the Circuit Clerk to maintain a fee journal. We noted the following discrepancies:

- a. As reported in the prior year's audit report, expenses were not paid out of the fee account nor recorded in the fee journal.
- b. As reported in the prior year's audit report, fees received by the Circuit Clerk were not posted in the appropriate column in the fee journal as required.

Failure to properly maintain the fee journal could result in the loss of public funds.

Recommendation

The Circuit Clerk should properly maintain a fee journal, documenting both revenues and expenses.

Circuit Clerk's Response

I will comply.

Sheriff.

5. Inadequate controls over cash collection and disbursement functions exist in the Sheriff's office.

Finding

An effective system of internal control should include an adequate segregation of duties and the maintenance and reconciliation of records documenting cash collections. As reported in the prior year's audit report, controls were inadequate over cash. The following deficiencies were noted:

- a. The bookkeeper maintains the cash journal, prepares deposits, prepares settlements and disburses funds. The activities of the bookkeeper were not reviewed by another person.
- b. Collections were not deposited on a timely basis.
- c. The cash journal was not reconciled to the bank statement.

The failure to implement adequate controls over the recording and disbursement functions, to deposit collections on a timely basis and to reconcile the cash journal to the bank statement could result in inaccurate reporting, incomplete settlements and the increased possibility of the loss or misappropriation of public funds.

Recommendation

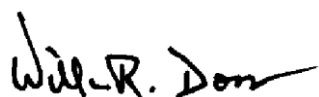
The Sheriff should ensure that there is an adequate separation of duties in the recording and settlement functions. The Sheriff should also ensure that funds are deposited on a daily basis, that cash journals are reconciled monthly to the bank statements and that duties of the bookkeeper are reviewed by another person.

Sheriff's Response.

I will comply.

Benton County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is written in a cursive, somewhat stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

March 4, 2013

BENTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BENTON COUNTY

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BENTON COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
Aggregate discretely presented component units	Adverse
General Fund	Unqualified
Road and Bridge Maintenance Fund	Unqualified
Aggregate remaining fund information	Unqualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? None Reported
3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness identified? Yes
 - b. Significant deficiencies identified? None Reported
5. Type of auditor's report issued on compliance for major federal programs:

a. Schools and roads – grants to states, CFDA#10.665	Unqualified
b. Community development block grant/state's program and non-entitlement grants in Hawaii, CFDA#14.228	Qualified
6. Any audit findings disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133?) Yes
7. Federal programs identified as major programs:
 - a. Schools and roads – grants to states, CFDA#10.665
 - b. Community development block grants/state's program and non-entitlement grants in Hawaii, CFDA#14.228
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No

BENTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 11-1. The county should implement controls to ensure preparation of its financial statements.

Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. As reported in the prior year's audit report, management did not have personnel who possessed the necessary training to prepare financial statements in accordance with generally accepted accounting principles. Benton County's accounting records are maintained on a cash basis and the auditors assisted the county in preparing accrual entries and the primary government financial statements. However, the County has made all management decisions including approving accrual entries, designating an individual with a basic understanding of the financial statements and related note disclosures to oversee the financial statement preparation; evaluating the adequacy and results of the services performed and accepting responsibility for the results of the services.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements and note disclosures are prepared in accordance with generally accepted accounting principles.

Material Weakness

- 11-2. Financial data for component unit not included in the financial statements.

Finding

Generally accepted accounting principles require the financial data for the county's component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. As reported in the prior year's audit report, the financial statements do not include the financial data for the county's legally separate component unit. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component unit for inclusion in the county's financial statements.

BENTON COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Chancery Clerk.

Material Weakness

- 11-3. Cash collection and disbursement functions over accounting functions not adequately segregated.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior year's audit report, observations revealed that there is not an adequate separation of duties in the accounting functions. The bookkeeper receipts all funds, makes deposits, enters receipts into the system, reconciles the bank statements, and prepares and prints disbursements. The Chancery Clerk and the Board of Supervisors only review the cash disbursements made. Failure to have an adequate separation of duties could result in the loss of public funds due to the mishandling of funds.

Recommendation

Accounting functions involving receipting and disbursing of funds, recording transactions and reconciling accounts should be performed by different people or reviewed by someone not completing the duties.

Circuit Clerk.

Material Weakness

- 11-4. Controls over Circuit Court fines receivable should be strengthened.

Finding

An effective system of internal control over fines receivable records should include maintaining an accurate schedule of fines due to the county. The Circuit Clerk's aging schedule of fines receivable should only include Circuit Clerk fines due to the county. The aging schedule of the Circuit Clerk's fines receivable included clerk's fees, state assessments and restitution along with Circuit Court fines. The inclusion of these fees and assessments in the fines receivable aging schedule could materially misstate the fines receivable amount that is reported in the county's financial statements.

Recommendation

The Circuit Clerk should ensure that only fines are reflected in the account balances shown on the aging schedule of fines receivable.

Material Weakness

- 11-5. Cash collection and disbursement functions not adequately segregated in Circuit Clerk's office.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior year's audit report, cash collection and disbursement functions are not adequately separated for effective internal control. The Circuit Clerk receipts collections, makes deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statement and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

BENTON COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Recommendation

The Circuit Clerk should implement a system for review of accounting records by another person.

Tax Assessor-Collector.

Material Weakness

- 11-6. Cash collection and disbursement functions in the Tax Assessor-Collector's office are not adequately segregated.

Finding

An effective system of internal control over tax collections should include an adequate segregation of duties and the maintenance of the legislative tag credit receivable column in the cash journal. As reported in the prior year's audit report, cash collection, recording, and reconciling functions were not adequately segregated for effective internal control. The following deficiencies were noted:

- a. The Tax Assessor-Collector collected money using another deputy clerk's drawer as well as performed recording and disbursing functions.
- b. The Tax Assessor-Collector did not have anyone review the bank reconciliation when she completed it.
- c. The Tax Assessor-Collector did not carry the legislative tag credit receivable balance forward from month to month.

Failure to implement adequate controls over the collection, recording and reconciling functions could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should ensure that there is adequate segregation of duties in the collecting, recording and reconciling functions. She should also ensure that the legislative tag credit receivable column is properly maintained.

Justice Court Clerk.

Material Weakness

- 11-7 Cash collection and disbursement functions not adequately segregated in the Justice Court Clerk's office.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior year's audit report, cash collection and disbursement functions in the Justice Court office were not adequately separated for effective internal control. The Justice Court Clerk has access to collections, prepares and makes bank deposits, prepares the daily check-up sheets, reconciles the bank statements, posts to the cash journal, makes monthly settlements and writes checks for all disbursements. Failure to have an adequate separation of duties could result in the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should take steps to ensure that there is an adequate segregation of duties in the collection and disbursement functions of the Justice Court offices or that there is external oversight over operations of the Justice Court offices.

BENTON COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Material Weakness

11-8. Controls over Justice Court fines receivable should be strengthened.

Finding

An effective system of internal control over the accounting of fines receivable should include maintaining an accurate schedule of fines due to the county. The Justice Court Clerk's aging schedule of fines receivable should only include Justice Court fines due to the county. The aging schedule of the Justice Court Clerk's fines receivable included clerk's fees, state assessments and restitution along with Justice Court fines. The inclusion of these fees and assessments in the fines receivable aging schedule could materially misstate the fines receivable amount that is reported in the county's financial statements.

Recommendation

The Justice Court Clerk should ensure that only fines receivable are reflected in the accounting balances shown on the aging schedule of fines receivable.

Inventory Control Clerk.

Material Weakness

11-9. Controls over capital assets should be strengthened.

Finding

An effective system of internal control over capital assets should include recording all additions and deletions of capital assets and assigning every asset purchased by the county a property control number and marking this property control number on the asset as a means of identifying the asset as owned by the county. We noted the following deficiencies:

- a. Infrastructure in the amount of \$234,175 was omitted from the capital asset records. An adjustment to correct this error was proposed by the auditor and approved by management.
- b. A building recorded at \$580,652, net of accumulated depreciation, that had been leased to an industry under a capital lease was included in the capital asset records in error. An adjustment to correct this error was proposed by the auditor and approved by management.
- c. Several capital assets were not marked with property control numbers.

Failure to properly record all additions and deletions of capital assets and to mark these assets with a property control number could result in the loss of capital assets or the financial statements being misstated.

Recommendation

The Inventory Control Clerk should ensure that all additions and deletions of capital assets are recorded in the capital asset records. The Inventory Control Clerk should also ensure that all capital assets are marked with the assigned property control numbers.

BENTON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 3: Federal Award Findings and Questioned Costs

Board of Supervisors.

Material Weakness

Material Noncompliance

11-10. Controls over procurement, suspension and debarment should be strengthened.

Program: CFDA#14.228 – CDBG Project #1126-09-005-SH-01
U. S. Department of Housing and Urban Development
Passed-through the Mississippi Development Authority
Community Development Block Grant/State's Program and Non-entitlement
Grants in Hawaii

Compliance Requirement: Procurement, Suspension, and Debarment

Finding

The Mississippi Development Authority -Community Development Block Grant Program -2011 Policies and Procedures Manual requires professional services to be procured by competitive proposals. The grant agreement signed by the county requires the county to comply with these policies and procedures. During our audit testing procedures, we noted no evidence that control activities were in place to ensure that competitive proposals were solicited and awarded for engineering services, conducting evaluations of the engineers' qualifications and selecting the most qualified engineer, subject to negotiation of fair and reasonable compensation. The county hired the county engineer to perform the engineering services associated with this grant. As a result, the Mississippi Development Authority required the county to repay \$11,757 for engineering services. The Northeast Mississippi Planning and Development District paid \$11,757 to the Mississippi Development Authority on behalf of the county on January 26, 2012.

Questioned Costs: \$11,757

Recommendation

The Benton County Board of Supervisors should take steps to ensure that controls are in place to ensure that procurement requirements are fulfilled by ensuring that contracts for professional services are awarded after soliciting competitive proposals as required by the Mississippi Development Authority.

BENTON COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

BENTON COUNTY

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MARLENE MCKENZIE
Clerk of Board
Chancery Clerk

BOARD MEMBERS

DISTRICT 5
RICKY PIPKIN
President of Board
P.O. Box 261
Hickory Flat, MS 38633

DISTRICT 2
JAMES GRIFFIN
Vice-President
236 H. Williams Road
Lamar, MS 38642



BENTON COUNTY BOARD OF SUPERVISORS

P.O. Box 218 Ashland, MS 38603
Telephone 662-224-6300 Fax 662-224-6303

BOARD MEMBERS

DISTRICT 1
CHRIS SHOUP
P.O. Box 171
Ashland, MS 38603

DISTRICT 3
RANDY WILBURN
675 Carter Flats
Ashland, MS 38603

DISTRICT 4
JIMMY PIPKIN
7446 Hwy. 5
Hickory Flat, MS 38633

CORRECTIVE ACTION PLAN

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Benton County respectfully submits the following corrective action plan for the year ended September 30, 2011.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

11-1 Corrective Action Planned:

We anticipate going to cash basis in the future and will make arrangements for our financial statements to be prepared.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Ricky Pipkin

11-2 Corrective Action Planned:

It is not cost beneficial to include the component units. We will make arrangements in the future to reevaluate the situation.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Ricky Pipkin

11-3 Corrective Action Planned:

As this is a small county, it is virtually impossible to have separation of duties for all accounting functions. However, the Comptroller and the Chancery Clerk are working together to comply with audit requirements.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Marlene McKenzie

11-4 Corrective Action Planned:

This has been corrected.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Kathy Graves

11-5 Corrective Action Planned:

As this is a small county, it is virtually impossible to have separation of duties for all accounting functions. However, the Circuit Clerk and deputies are working together to comply with audit requirements.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Kathy Graves

11-6 Corrective Action Planned:

As this is a small county, it is virtually impossible to have separation of duties for all accounting functions. However, the Tax Collector and deputies are working together to comply with audit requirements.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Betty Hobson

11-7 Corrective Action Planned:

There are only two workers in this office. We are doing all we can do to make it work. We have two separate drawers 1&2. We do account check-up sheets for each of our drawers. Each clerk signs their own sheet.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Pam Campbell

11-8 Corrective Action Planned:

We will make arrangements in the future to ensure reports are accurate.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Pam Campbell

11-9 Corrective Action Planned:

Each Supervisor has been given a list of their inventory including asset numbers. After receiving the list, each Supervisor verified that their inventory had been properly marked with a permanent marker. All inventory items at this time, has an inventory sticker or a permanent marking.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Ricky Pipkin

SECTION 3: FEDERAL AWARD FINDINGS

11-10 Corrective Action Planned:

In the future, we will make arrangements to ensure proper bid procedures are followed.

Anticipated Completion Date:

September 30, 2013

Name of Contact Person Responsible for Corrective Action:

Ricky Pipkin

Sincerely yours,
Ricky Pipkin
by: Marion McKenzie clerk of the Board
Ricky Pipkin
President, Board of Supervisors
662-224-6300